

OFFICE OF INSPECTOR GENERAL

UNAUTHORIZED PROCUREMENT AND USE OF CORPORATE CREDIT CARDS BY FLEET MANAGEMENT SERVICES

REPORT OF INVESTIGATION

MARCH 1999





OFFICE OF INSPECTOR GENERAL

Norman D. Butts
Inspector General

TO THE HONORABLE COUNTY COUNCIL AND COUNTY EXECUTIVE FOR
MONTGOMERY COUNTY, MARYLAND:

We have conducted an investigation into the unauthorized procurement and use of corporate credit cards by the Division of Fleet Management Services to address citizen complaints. Our investigation was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and Quality Standards for Investigations issued by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. Those standards require that we plan and perform the investigation to provide a reasonable basis for our findings and conclusions. Accordingly, we performed such procedures as we considered necessary in the circumstances.

The purpose of our investigation was to assess whether the Division of Fleet Management Services acted properly in obtaining a corporate credit card account in the name of Montgomery County Government and whether the credit cards were used in a manner consistent with County policies and regulations.

This report is the result of our investigation of the issue noted above and is intended for the information of the County Council, the County Executive, and management of the Division of Fleet Management Services and the Department of Public Works and Transportation. This restriction is not intended to limit distribution of this report, which upon delivery to the County Council and County Executive is a matter of public record.

Office of Inspector General

April 16, 1999

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**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

**UNAUTHORIZED PROCUREMENT AND USE
OF CORPORATE CREDIT CARDS BY
FLEET MANAGEMENT SERVICES**

REPORT OF INVESTIGATION

MARCH 1999

INTRODUCTION

Purpose and Scope of Investigation

This investigation was performed to address citizen complaints. It was conducted in accordance with generally accepted governmental auditing and investigative standards. The purpose was to assess whether the Division of Fleet Management Services (hereinafter "Fleet Management Services" or "FMS") acted properly in obtaining a corporate credit card in the name of Montgomery County Government and whether the credit card account was used in a manner consistent with County regulations.

The Complaint

The complaints received by the Office of Inspector General alleged instances of fraud, waste, and abuse involving the expenditure of County funds by Fleet Management Services. Specific information was provided pertaining to alleged misuse of a corporate credit card issued in the name of Montgomery County Government.

In situations where fraud, waste, and abuse are alleged, we may expand any investigation into the matter to include a review of legal, fiscal, and ethical accountability issues and to determine whether management has complied with policies, procedures, rules, regulations, or laws regarding such important issues as procurement, personnel, finance, and ethics. Our investigation of the complaints received is limited, at this time, to determining whether Fleet Management Services acted properly in obtaining a corporate credit card in the County's name and whether the credit card account was used in a manner consistent with County regulations.

Results in Brief

Fleet Management Services acted without authority in obtaining a corporate credit card account in the name of Montgomery County Government. The credit card account was not opened in accordance with Montgomery County regulations and policies and was not obtained from a financial institution under contract with the County to provide financial services.

INTRODUCTION (continued)

Expenses charged to the account and approved for payment by FMS management personnel have wasted County funds in some instances and in other instances have violated County procurement regulations as well as County administrative procedures. In addition, personal purchases have been charged to the credit card account and not reimbursed to the County.

| <i>Finding & Recommendation</i> | <i>Agency Response</i> |
|---|----------------------------------|
| 1. <u>Unauthorized Procurement and Use of Credit Cards</u> . Close the account and ensure FMS compliance with all policies and procedures. | <i>Concur</i> |
| 2. <u>Questioned Costs (\$44,400) – Splitting Vendor Invoices Violates Procurement Regulations</u> . Transfer \$44,400 from FMS operating budget to undesignated fund balance; agree to comply with all procurement regulations in the future; review all FMS direct vouchers for next twelve months; review and strengthen management controls as necessary. | <i>Do Not Concur</i> |
| 3. <u>Some FMS Employees Did Not Reimburse County for Personal Purchases</u> . Recover non-allowable travel expenses; determine if other actions including disciplinary measures are appropriate. | <i>Concur In Part</i> |
| 4. <u>Waste of County Funds for Payment of Annual Fees, Sales Taxes, and Finance Charges</u> . Recover wasted funds. | <i>Do Not Concur</i> |
| 5. <u>Failure to Comply with Procurement Regulations Regarding the Purchase of Commodities with Credit Cards</u> . Ensure FMS compliance with procurement regulations; review and strengthen management controls; ascertain commodities were received and are being used for County business. | <i>Concur</i> |
| 6. <u>Some FMS Employees Used Unauthorized Credit Cards to Make Personal Purchases and Later Reimbursed County</u> . County employees should be expressly prohibited from using County credit for personal business. | <i>Concur</i> |

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BACKGROUND

Fleet Management Services

The Division of Fleet Management Services is located within the Department of Public Works and Transportation (DPWT). It is the responsibility of FMS to acquire, maintain, and dispose of the County's fleet of motor vehicles, buses, and heavy equipment (dump trucks, construction equipment, and specialized heavy equipment) in support of the transportation and service delivery needs of all County departments. The division has a workforce complement of 140 employees, who work out of three locations. The approved FY99 operating budget for FMS activities is approximately thirty (30) million dollars.

County Regulations and Policies

Authority to acquire goods and services is vested in the chief administrative officer (hereinafter the "CAO"). The CAO may delegate that authority to the director of procurement. Each "using department" (any County department, office, or agency that is engaging in a procurement activity) is responsible for ensuring compliance with the procurement regulations. Procurement regulations are contained in Regulation 15-94AM of the County of Montgomery Code of Regulations as authorized by Chapter 11B of the Montgomery County Code and §313 of the County Charter.

Specific regulations pertaining to the use of a credit card are established in Procurement Regulations §4.1.16 (Credit and Debit Card Procurements). These regulations state that credit and debit cards may be utilized as authorized by the CAO. In practice, the director of procurement controls the process through which County departments and agencies obtain credit and debit cards. The Office of Procurement obtains credit card accounts from one approved banking source which is under contract to the County to provide various financial services (hereinafter "authorized bank").

The Office of Procurement does not currently permit the purchase of commodities through the use of County credit cards. At the present time, County departments and agencies may obtain a credit card through the Office of Procurement for the limited purpose of paying for travel and travel-related expenses. Allowable travel and travel-related expenditures are

BACKGROUND (Continued)

governed by administrative procedures, as follows: Administrative Procedure 1-2 (Non-Local Travel Guidelines) and Administrative Procedure 1-5 (Local Travel Guidelines).

Fleet Management Services Corporate Credit Card Account

In September 1997, FMS contacted the Office of Procurement to inquire about obtaining credit cards for use by FMS personnel. FMS management subsequently met with procurement personnel and was duly informed about the correct procedure to apply for a credit card and the terms and conditions of credit card use. At that time FMS was also given the appropriate application paperwork to complete. Notwithstanding the direction provided by the Office of Procurement, FMS management applied for a credit card in the name of the Division of Fleet Management Services from an unapproved banking source not under contract to the County (hereinafter “unauthorized bank”). The FMS chief signed the account application.

The unauthorized bank opened a corporate credit card account in the division’s name in March 1998. At the request of FMS, eleven separate cards for the account were issued to specific FMS employees. Individual cards have a monthly credit limit range from \$3,000 to \$10,000; the aggregate monthly credit limit on the account is \$50,000. During the past ten months, FMS employees have charged in excess of \$40,000 to the account.

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FINDINGS & RECOMMENDATIONS

Finding No.1: Unauthorized Procurement and Use of Corporate Credit Cards by Fleet Management Services

We found the FMS chief acted without authority when he executed a contract in the name of Montgomery County Government with the unauthorized bank to open a credit card account for the division. Authority to execute contracts for financial services on behalf of the County rests with the director of procurement. Based upon his prior discussions with the Office of Procurement, the FMS chief was fully aware of the existing contract the County had with the authorized bank to provide credit card services and that the authorized bank was the only financial institution approved to provide credit card services to the County. FMS had a duty to make sure its actions were consistent with County procurement regulations and policies. The division breached that duty.

The FMS chief acknowledged to us that he obtained the credit cards from the unauthorized bank without the approval of the CAO, the director of public works and transportation, the Department of Finance, or the Office of Procurement. The FMS chief told us the credit card account with the unauthorized bank was obtained under a “bridge” contract with a federal government agency. We found no evidence to support that representation. FMS files contained no documents pertaining to a federal government contract with the unauthorized bank. Furthermore, the director of procurement must execute any “bridge” contracts on behalf of the County. The director of procurement told us that no “bridge” contract was ever executed for the credit card account in question.

Management controls are designed to ensure that laws and regulations are followed. Control standards require that transactions and other significant events be authorized and executed only by persons acting within the scope of their authority. The manner in which the FMS chief bypassed established procedures and obtained the unauthorized credit cards raises serious questions about the legal, fiscal, and ethical accountability standards followed by Fleet Management Services.

FINDINGS & RECOMMENDATIONS (Continued)

Recommendation:

We recommend the County administration cause the credit card account with the unauthorized bank to be closed immediately. We further recommend County administration take definitive steps to ensure the FMS chief is held accountable for compliance with all County policies and procedures.

Agency Response:

We concur that the FMS Division's judgment, based on the definition of this observation, was apparently not appropriate in the process they used for obtaining credit cards for the Division's use. The FMS Division Chief acted as an agent for the County under the "delegation of authority" that he has been given from the Department Director for making decisions relative to the expenditure of funds for the Division in which he is held accountable. The process used for procuring these funds was apparently, not appropriate.

After a thorough analysis of operational requirements of the Division, they believed that it would be more advantageous for the Division to monitor the use of the credit cards by establishing an account with a financial establishment that provided better financial control. That is, a monthly financial statement that summarized the end use on one statement with one invoice. The Division felt that this would also provide administrative efficiency by reducing the paper processing ten-fold—instead of processing 11 credit card invoices, the Division only had to process one.

In light of the fact that the Division obtained a credit card from a financial institution that is not under contract with the County, it was pursuing a bridge contract with the State of Maryland for the use of the same. However, based on the findings of this report and our internal review of the use of credit cards within the Division, we have determined that the use of the existing credit cards by FMS should be terminated. Consequently, the Division is proceeding to finalize this action.

Finding No. 2: Questioned Costs (\$44,400) -- FMS Engaged in "Splitting" Vendor Invoices In Violation of Procurement Regulations Governing Direct Purchases

We found Fleet Management Services, over a ten-month period, issued eighteen (18) direct vouchers totaling \$44,400 in direct purchase payments to the unauthorized bank. A "direct purchase" is a purchase of goods or services with a total value of no more than \$3,000. Procurement regulations prohibit the practice of splitting a vendor payment of more than \$3,000 into two or more smaller payments of less than \$3,000 each in order to avoid complying with direct purchase limitations (§4.1.9.2). FMS routinely split invoices for payments to the unauthorized bank in violation of County procurement regulations governing direct purchases.

FINDINGS & RECOMMENDATIONS (Continued)

Payments to vendors for direct purchases are issued through direct vouchers that are initiated and approved by the department making the purchase. The Office of Procurement has controls in place designed to detect direct vouchers issued for amounts greater than \$3,000 that might be in violation of procurement regulations. We reviewed monthly credit card bills sent by the unauthorized bank to Fleet Management Services on the account. Our review found that in six out of ten months FMS split the total payment due the unauthorized bank into two or more direct vouchers, each in an amount under \$3,000 [see: Appendix B]. The issuance of multiple direct vouchers allowed FMS payments directed to the unauthorized bank to avoid scrutiny by the Office of Procurement.

Payments made on this unauthorized account are “questioned costs.” A questioned cost is a cost that is questioned by this office because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or document governing the expenditure of funds; a finding that, at the time of the audit or investigation, such costs were not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Management controls are designed to reasonably ensure that resources are protected from waste, fraud, and mismanagement and that laws and regulations are followed. General control standards require competent personnel who have personal and professional integrity and an understanding of the importance of developing and implementing good management controls. Specific control standards establish accountability for the custody and use of resources. Splitting payment vouchers seriously undermines both general and specific management controls.

Recommendation:

We recommend the following:

- Fleet Management Services be required to transfer \$44,400 from its current operating budget to the County’s undesignated fund balance or some other suitable destination as determined by the County administration (this should be done in such a way as to avoid disrupting direct services, perhaps non-local travel for the remainder of the fiscal year could be curtailed or eliminated);
- The FMS chief agree in writing to comply with all County procurement regulations in the future;
- Department of Public Works and Transportation review all direct vouchers initiated and approved by Fleet Management Services for the next twelve months to ensure compliance with County procurement regulations pertaining to direct purchases; and
- County administration review and strengthen management controls as necessary to ensure that all procurement activity follows accepted procurement procedures.

FINDINGS & RECOMMENDATIONS (Continued)

Agency Response:

We do not concur with the recommendation. It is our understanding, after consultation with the Office of Procurement, that travel expenses are exempt from the \$3000 direct purchase limitation.

The intent for obtaining the credit card was to minimize the processing of invoices for travel. Since travel is exempt from the \$3000 direct purchase limitation, the Division assumed that there would be an efficiency improvement by consolidating invoices and paying to one financial establishment, rather than processing a payment to each of the vendors on the statement for which the cards were used. Although it appears that the Division was splitting purchases, each purchase that was made on each monthly statement was within the Procurement guidelines. The Division took an innovative approach for accounting purposes by breaking down the statement into sub-object codes for processing the payment into two or three direct ADPICS vouchers rather than a voucher for each of the ten or fifteen items on the statement. Based on an estimated administrative cost of \$25 to pay a single invoice, the Division saved \$3800 by processing 18 payments rather than 170 (\$4250 - \$450 = \$3800) for the total items purchased.

Although we encourage employees to be creative in process improvements, in this case, the Division erred in their judgment by obtaining a credit card from a financial institution that is not under contract with the County.

As we are terminating the existing credit card account, all future travel purchases and payments will be conducted in accordance with established Administrative Procedure 1-2 for Non-Local Travel.

Discussions have taken place between the Division and DPWT senior management as to the need to properly follow County Procurement Regulations. DPWT will ensure that necessary management controls are executed so as to provide for accepted procurement practices within the Division.

OIG Rebuttal:

Concerning the Questioned costs of \$44,400: FMS stated, “Although it appears that the Division was splitting purchases, each purchase that was made on each monthly statement was within the Procurement guidelines. The Division took the innovative approach for accounting purposes by breaking down the statement into sub-object codes for processing the payment into two or three direct ADPICS vouchers rather than a voucher for each of the ten or fifteen items on the statement.” That statement is untrue for several reasons:

- **It doesn’t just “appear” that FMS was splitting invoices, that is exactly what FMS was doing;**

FINDINGS & RECOMMENDATIONS (Continued)

- **In addition to charging travel expenses, FMS was also using its unauthorized credit cards to purchase commodities. Splitting invoices to purchase commodities is not within procurement guidelines;**
- **The “innovative approach for accounting purposes” that FMS was trying to achieve was, in fact, not achieved. Many of the direct vouchers FMS submitted contain more than one sub-object code and the same sub-object code appears in more than one direct voucher in a particular month [see: Appendix B, see Note].**

Finding No. 3: Some FMS Employees Made Personal Purchases Charged to the Unauthorized Credit Card Account and Did Not Reimburse the County

We found FMS employees made personal purchases on various occasions that were charged to the unauthorized credit card account and subsequently paid for with County funds. Included in this category of purchases were personal entertainment expenses of employees while traveling on County business. We noted the following personal, non-reimbursed expenditures:

- three (3) employees spent \$180 to purchase theater tickets and \$105 to book guided tours while attending a conference in New York City;
- one (1) employee spent \$21 to rent a bicycle while attending a conference in Colorado;
- seven (7) employees spent \$175 for tours of Microsoft Corporation’s Redmond Campus while on a trip to Seattle.

These expenses were charged to one or more of the unauthorized credit cards. There was no reimbursement made by the employees for the expenses which were subsequently paid for with County funds.

County administrative procedures provide very explicit rules and regulations regarding allowable expenses for local and non-local travel. Non-Local Travel Guidelines §4.8 (Non-Allowed Travel Expense) state in part, “Purchase of personal items such as alcoholic beverages, *entertainment expenses*, and expenses of the employee’s family are not considered reimbursable travel expenses” (emphasis added). Personal entertainment expenses are the responsibility of the individual employee and are not allowable expenditures to be paid by the County.

Management controls are designed to reasonably ensure that resources are protected from fraud, waste, and abuse. General control standards require competent personnel who have personal and professional integrity and an understanding of the importance of developing and implementing good management controls. Specific control standards require that access

FINDINGS & RECOMMENDATIONS (Continued)

to resources be limited to authorized individuals and that accountability for the custody and use of resources be assigned and maintained.

Recommendation:

We recommend the County administration recover from the appropriate FMS employees all non-allowable travel expenses paid for with County funds through use of the unauthorized credit cards and not reimbursed as required. We further recommend administrators review the behavior of FMS employees to determine if any other actions, including disciplinary measures, are necessary or appropriate.

Agency Response:

We concur in part with the recommendation. Employees have now provided full reimbursement for the theater tickets and tours while attending a conference in New York. Practices by FMS employees have been reviewed and definitions of allowable expenses while at business conferences have been clarified. A copy of Administrative Procedure 1-2 Non-Local Travel Guidelines has been distributed. Furthermore, internal procedures have been instituted (attached), including financial oversight, to prevent a reoccurrence. Trip requests will no longer be "pooled" thereby minimizing errors and individuals will sign-off on their individual expenses. The culmination of the above actions should preclude future errors.

We do not concur with reimbursement for the Microsoft presentation. This was an educational session available only to National Association of Fleet Administrator conference attendees. The presentation, conducted by the Vice President of Microsoft, gave an overview of how Microsoft uses automation to maximize communication efficiencies in their organization. Since the Division was in the process of installing the Microsoft NT server in their organization, this presentation proved to be beneficial and provided staff with various methods to ensure a smooth installation. It also provided them a better understanding of how the new intra-divisional e-mail, Outlook, was to be used between the three Fleet sites.

We do not concur with reimbursement for the bicycle rental. As opposed to renting a car or hiring a taxi, the individual attending the conference opted to rent a bike, with the opinion that this provided for a good blend of exercise and transportation. In this specific case, we believe the expense is permissible.

OIG Rebuttal:

Concerning the \$21 bicycle rental: While the conference lasted ten days, the bicycle was rented at 4:30 PM one afternoon and turned in the next morning at 10:00 AM. The County employee involved also rented a car on the last day of the conference (\$68) and hired a taxi (\$70) to go from and to the airport. All were at County expense.

FINDINGS & RECOMMENDATIONS (Continued)

Concerning the \$175 spent on Microsoft tours: Although FMS and the individual who booked the tour for the seven County employees called it “educational,” our reading of the promotional literature touting the event leads us to conclude it was an optional junket and was unrelated to the main purpose of the trip [see: Appendix C].

Finding No. 4: Waste of County Funds for Payment of Annual Fees, Sales Taxes, and Finance Charges

We found \$564 of the expenditures charged to the unauthorized credit card account maintained by the Fleet Management Services constitutes a waste of County funds. The wasteful expenditures include, but are not limited to, the following:

- the payment of annual fees issued on the account in the amount of \$385;
- the payment of sales tax on certain commodities purchase transactions in the amount of \$65;
- the payment of finance charges posted to the account in the amount of \$114.

At the request of the Fleet Management Services, the unauthorized bank issued eleven credit cards on the account and charged an annual \$35 fee for each card. The County pays no annual fees for credit cards issued on its approved credit card account under the terms of the contract negotiated with its authorized bank.

The County is exempt from paying sales taxes on many purchases. However, a review of purchase transaction documentation revealed that sales taxes in the amount of \$65 were paid on various transactions.

FMS paid \$114 in finance charges on the account during 1998.

Management controls are designed to ensure that resources are protected from waste, fraud and mismanagement. Control standards require that adequate supervision be provided to ensure that management control objectives are met and that accountability for the custody and use of resources is assigned and maintained.

Recommendation:

We recommend the County administration recover \$564 from FMS employees responsible for wasting County funds as follows:

- \$385 from those employees who knew the credit cards obtained from the unauthorized bank were not sanctioned by the County;
- \$65 from those employees who charged the purchases that included sales taxes;

FINDINGS & RECOMMENDATIONS (Continued)

- \$114 from the employees who authorized the payment of the finance charge.

We further recommend administrators review the management controls in place within Fleet Management Services to ensure those controls meet applicable standards to protect county resources from additional waste.

Agency Response:

We do not concur with the recommendation to recover \$564 from FMS employees. The need for the credit card was an organizational requirement. There were no personal gain by anyone for having the corporate card. FMS was of the opinion that the anticipated direct or indirect savings (as specified in response #2) from using the card would be significant and would more than offset the \$35 annual fee. The Division believed that using this financial institution had merit. The monthly financial statement provided more efficient controls of use and minimized the processing of multiple invoices. They believed this to be an innovative idea and pursued it. However, it appears that the existing procurement procedures will not allow for this method of procurement and payment and hence, the process will not work and is being discontinued.

FMS believes that it is inappropriate to provide a sales tax-exempt number to all employees. When business purchases are required, the tax-exempt number will be provided to the employee making the purchase. Management controls will be implemented to ensure that the processing of the sales tax exemption is improved when making payments.

The payment of finance charges was a processing oversight and therefore, we believe it is inappropriate for the cardholder to be held accountable for this charge. Since the credit card account will be terminated, finance charges will no longer be an issue.

OIG Rebuttal:

Concerning the \$385 payment for annual fees: A credit card from the County's authorized bank would not have included any fees. Some FMS employees knew the credit cards the division had obtained were not sanctioned by the County. The County should be reimbursed for this waste by those who knowingly caused it.

Concerning the \$65 payment of sales taxes: We question how it is appropriate to give 11 employees credit cards, but inappropriate, as FMS alleges, to instruct those same 11 employees (not all FMS employees) on how to avoid paying unnecessary sales taxes.

Concerning the \$114 payment for a finance charge: Documentation supplied to us by FMS contained a handwritten notation signed by an FMS official stating, "OK to pay including finance charge." It is not possible for us to accept the FMS conclusion that it a "processing oversight."

FINDINGS & RECOMMENDATIONS (Continued)

Finding No. 5: Failure to Comply With County Procurement Regulations Regarding the Purchase of Commodities By Use of Credit Card

We found Fleet Management Services regularly purchased commodities with its unauthorized credit cards. In addition to money spent for travel or travel-related services, \$8,860 was spent for such commodities as computer equipment and supplies, computer software packages, office furniture, office equipment, and supplies. Currently, authorized County credit card expenditures are limited to travel and travel-related expenses. County procurement regulations do not allow the use of County credit cards to purchase commodities.

Management controls are designed to ensure that laws and regulations are followed. Control standards require that continuous supervision be provided to ensure that management control objectives are met and that accountability for the custody and use of resources be assigned and maintained.

Recommendation:

We recommend the following:

- DPWT ensure that Fleet Management Services complies with County procurement regulations with respect to commodities purchases;
- the County administration review and strengthen FMS management controls as necessary to ensure that all procurement activity follows accepted procurement procedures; and
- the County administration ascertain that all commodities purchased with the unauthorized credit cards were received by the County and are being used for County business.

Agency Response:

We concur with the recommendations. The Division has stated that all commodities purchased were received by the County and are being used for County business. All employees required making purchases for FMS have been given the Procurement Guide (copy attached) published by the Procurement Office and have been instructed in the proper procurement procedures.

FINDINGS & RECOMMENDATIONS (Continued)

Finding No. 6: Some FMS Employees Used the Unauthorized Credit Cards to Make Personal Purchases Which They Later Reimbursed

We found several instances where FMS employees made personal purchases at local stores. These purchases, totaling \$89, were unrelated to official County business. Documentation in FMS files indicates the employees in question reimbursed the County. The purchases were as follows:

- \$46 at a local pet supply store;
- \$17 at a local drug store;
- \$27 at a local restaurant.

Currently, FMS employees with access to the unauthorized credit cards can give themselves an interest free loan by charging purchases to the credit card and reimbursing the County when the account statement arrives the next month. Considering the unauthorized credit card account has a \$50,000 monthly credit limit, with individual cards having a range of credit from \$3,000 to \$10,000, the County is exposed to considerable potential financial liability for unauthorized personal purchases.

Management controls are designed to reasonably ensure that resources are protected from fraud, waste, and abuse. General control standards require competent personnel who have personal and professional integrity and an understanding of the importance of developing and implementing good management controls. Specific control standards require that access to resources be limited to authorized individuals and that accountability for the custody and use of resources be assigned and maintained.

Recommendation:

We recommend the County administration enact written policies and procedures that expressly prohibit County employees from charging personal expenses to any County authorized credit card that may be issued to employees in the future. We further recommend that all County employees authorized to use an approved County credit card be required to read and acknowledge in writing those policies and procedures.

Agency Response:

We concur with the recommendations. The Department believes that there was no improprieties intended by the employees. As soon as the employees realized the wrong credit card was used the employees notified the Division and paid the County for the charge. The Division now has a procedure in place that prohibits personal expenses being charged on the County credit card.



APPENDIX A

Douglas M. Duncan
County Executive

DEPARTMENT OF PUBLIC WORKS
AND TRANSPORTATION

Robert C. Merryman
Acting Director

MEMORANDUM

April 1, 1999

TO: Norman Butts
Inspector General

FROM: Robert C. Merryman, Acting Director
Department of Public Works & Transportation

SUBJECT: Response to the Inspector General Rebuttal

Thank you for the opportunity to respond to your rebuttal remarks. We have reviewed the same and our comments are attached.

I look forward to discussing this matter further with you at our exit interview.

Attachment

RCM/jb

IG1

RESPONSE TO OIG

Finding No. 2:

Agency Response to OIG Rebuttal:

The agency stands by its original response. The fact that the OIG does not agree is a matter of differing opinions.

Finding No. 3:

Agency Response to OIG Rebuttal:

The agency stands by its original response. The bicycle was used for transportation while the employee was out of town. The rental was no different than any car rental in that it was for a 24 hour period, rented one day and returned the next business day.

Reference the \$175.00 spent on the Microsoft tour, the agency stands by its original response. The tour was only offered to attendees at the NAFA conference. The agency was in the process of installing Microsoft's NT products; the individuals in attendance met all of the criteria outlined in the "About Microsoft Tour" and in some cases do not use computers or computer software other than in the workplace. In an environment where everyone is seeking technology solutions to doing more with less and trying to learn as much as possible about solving the various technology issues, the information and insight gained on this tour was very valuable to Montgomery County.

Finding No. 4:

Agency Response to OIG Rebuttal:

Concerning the \$385 payment for annual fees, the agency's purpose in obtaining the credit card was cost avoidance. If the estimated cost of processing a single invoice is \$25.00 per invoice and the Division was able to redirect those resources to other areas, then the cost to the County was a saving of \$3,800 less the \$385 in annual fees for a total cost avoidance of \$3,415.00.

Concerning the \$65.00 payment of sales taxes: FMS is very protective of the sales tax exempt number. FMS issued 11 credit cards to employees. Not all of the 11 credit cards had purchases associated with sales tax. The Division, as a matter of practice, makes every effort to exercise the County's exemption from paying sales tax. However, on occasions errors are made. In this case, there were a few instances where

the sales tax was erroneously paid on small purchases. While we normally catch such errors in the processing of payments on large purchases, these small cumulative purchases slipped through our safety net. We do believe that a review of our financials would reveal that such errors are not the norm for our Division.

Concerning the \$114.00 payment for a finance charge: This was indeed a processing error in not realizing that the payment had to be made within 25 days of the date of the invoice. Since the error was the agency's, the Division Manager authorized the payment, including the finance charge. Steps were instituted to eliminate this error from reoccurring.

DIRECT VOUCHERS
SORTED BY
SUBJECT CODE

APPENDIX B

| <u>Payment Date</u> | <u>Voucher No</u> | <u>SubObj</u> | | <u>Invoice Amt.</u> |
|---------------------|-------------------|---------------|----|---------------------|
| 06/10/98 | DV8507000606 | 2009 | \$ | 2,014.76 |
| 06/18/98 | DV8507000615 | 3449 | \$ | 1,451.13 |
| | | 2009 | \$ | 439.00 |
| | | 3805 | \$ | 795.22 |
| 07/13/98 | DV8507000647 | 3449 | \$ | 2,509.00 |
| | DV8507000648 | 3803 | \$ | 442.59 |
| | | 2009 | \$ | 1,349.00 |
| | | 5613 | \$ | 10.75 |
| 08/05/98 | DV9507000012 | 3449 | \$ | 2,217.50 |
| | DV9507000014 | 2009 | \$ | 1,077.00 |
| | | 6999 | \$ | 28.50 |
| | | 5613 | \$ | 10.75 |
| | | 3149 | \$ | 20.31 |
| | | 3804 | \$ | 1,702.00 |
| 09/09/98 | DV9507000076 | 2009 | \$ | 1,990.00 |
| | | 3805 | \$ | 237.89 |
| | DV9507000077 | 3449 | \$ | 2,437.34 |
| | DV9507000078 | 2009 | \$ | 2,410.00 |
| | | 3800 | \$ | 399.99 |
| | | 3700 | \$ | 90.00 |
| | | 6999 | \$ | 45.54 |
| | | 5613 | \$ | 10.40 |
| 10/19/98 | DV9507000121 | 5613 | \$ | 13.12 |
| | | 2009 | \$ | 300.00 |
| | | 3800 | \$ | 497.88 |
| | | 3449 | \$ | 1,589.43 |
| 11/12/98 | DV9507000149 | 3449 | \$ | 2,916.85 |
| | DV9507000150 | 3449 | \$ | 2,884.65 |
| | DV9507000151 | 6999 | \$ | 124.88 |
| | | 3700 | \$ | 370.00 |
| | | 3800 | \$ | 951.26 |
| | | 3805 | \$ | 63.89 |
| | | 2009 | \$ | 375.00 |
| 12/16/98 | DV9507000196 | 3449 | \$ | 2,880.66 |
| | DV9507000197 | 3449 | \$ | 1,393.78 |
| | | 6999 | \$ | 111.04 |
| | | 3805 | \$ | 282.99 |
| | | 4600 | \$ | 62.80 |

DIRECT VOUCHERS
SORTED BY
SUBJECT CODE

APPENDIX B

| <u>Payment Date</u> | <u>Voucher No</u> | <u>SubObj</u> | <u>Invoice Amt.</u> |
|---------------------|-------------------|---------------|---------------------|
| 01/07/98 | DV9507000224 | 3449 | \$ 2,329.42 |
| | | 2009 | \$ 525.00 |
| | | 6999 | \$ 60.61 |
| 02/10/99 | DV95070000375 | 2009 | \$ 45.00 |
| | | 3800 | \$ 23.08 |
| | | 4600 | \$ 165.00 |
| | | 6999 | \$ 1,780.78 |
| | DV9507000376 | 3149 | \$ 1,630.17 |
| | | 3449 | \$ 1,334.35 |
| | | | <hr/> |
| | | | \$ 44,400.31 |

NOTE: Highlighted entries show duplicate use of sub-object codes on multiple direct vouchers issued on the same date.

SOURCE: OIG analysis of ADPICS data.

ABOUT MICROSOFT TOUR

Are you responsible for daily technology issues within your organization? Do you make administrative decisions on software and technology uses? Did you ever wish you could get face to face with those people most involved in determining how software effects your day to day operations? Then spend the afternoon of May 6th experiencing the unique inner workings of a world class Software company.

You will depart for Microsoft's main Redmond campus at 12:45 pm by bus, arriving at the Executive Briefing Center (yes, that is where the 100 CEO Event was held), for a quick overview of the Microsoft culture and new emerging technologies. Once the briefing is complete the group will tour some of the most interesting features of campus including, the Microsoft Museum, Microsoft Studios, the Microsoft Home (a complete home built out in one of the campus buildings) and, depending upon daily production schedules, a trip through the MSNBC studios.

This tour will depart at 12:45 pm and arrive back at the hotel at 4:30 pm. The cost of this program is \$25 and will include a box lunch. The maximum availability for this tour is 80 persons, so attendance will be on a first come, first served basis.

Name: [REDACTED]

Company: Montgomery County Govt.

Title/Position: [REDACTED]

Address: 16630 Crabbs Branch Way

City, State, Zip: Rockville, MD 20855

Phone: 301-217-4730 Fax: 301-217-4742

I have enclosed a check in the amount of \$ Make Checks Payable To: Andy Mirkovich Productions

I will pay for this on my ☒ Visa ☐ Mastercard Amount to be charged: \$ 25

Credit Card # 4356 3266 0022 8726 Expiration Date: 03/00

Name on Credit Card: [REDACTED] Signature: [REDACTED]

Please return this form along with full payment to:

J.P. Perugini
11811 NE 1st Street
Mirkovich Productions
Suite 302
Bellevue, WA 98005

If you have any questions regarding this information, please call (425) 454-4817, msg box #2